

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

* * * * *

In the Matter of:

PURCHASED WATER ADJUSTMENT OF) CASE NO.
EAST CLARK COUNTY WATER DISTRICT) 8644-1

and

KENTUCKY PUBLIC SERVICE COMMISSION) CASE NO.
VS. EAST CLARK COUNTY WATER DISTRICT) 9119

O R D E R

On January 10, 1985, East Clark County Water District ("East Clark") filed a request for reconsideration of an Order of the Public Service Commission ("Commission") dated December 21, 1984, specifically, the reduction of rates to its general customers. In support, East Clark stated that: (1) bulk sales fluctuate widely due to weather as evidenced by a comparison of December, 1983, and December, 1984, sales and that income would be less by 44 percent; (2) East Clark will be filing an application for a certificate of public convenience and necessity and rate increase in 1985; and (3) no protests or complaints have been received from customers and the existing rates should be maintained.

On August 7, 1984, the Commission entered an Order in Case No. 8644-1 granting East Clark an increase in revenues of \$11,569 pursuant to 807 KAR 5:067, Purchased Water Adjustment Clause, such additional revenue to be generated by an upward adjustment to all rates of \$.27 per 1,000 gallons.

Subsequently, at the request of East Clark, the Commission entered an Order in Consolidated Case Nos. 8644-1 and 9119 allowing East Clark to deviate from 807 KAR 5:067, Section 2(3), by increasing its bulk sales rate an additional \$.73 per 1,000 gallons to a rate equal to that charged by its supplier, City of Winchester ("City"). East Clark was further allowed to increase the rate for water resold to the City by an additional \$.06 per 1,000 gallons so that the increase was proportional to the increase in the City's wholesale water rate. These additional increases resulted in excess revenues of \$7,195 over the allowable increase of \$11,569. The rates to general customers were reduced to offset the excess revenue.

The revenue requirement in a purchased water adjustment case is not determined on a monthly basis, but rather is calculated on a 12-month test year submitted by the utility. Although it is recognized that water sales may fluctuate from month to month due to weather conditions, this is not an element that is ordinarily taken into account in a purchased water adjustment case since such weather-related fluctuation cannot be predicted nor can one month be assumed to be representative. The revenue requirement herein was based on the test year submitted by East Clark.

Complaints from customers or, as in this instance, lack of complaints do not relieve the statutory and regulatory obligations to assure that purchased water

adjustments do not produce revenues in excess of the actual increase in purchased water costs and to prescribe rates that are fair, just and reasonable.¹ The rates prescribed herein were based on the accepted test year and designed to produce the \$11,569 allowable increase in purchased water costs.

East Clark will be filing an application in the foreseeable future which will include a request for a general rate adjustment. Any further adjustment to rates or change in rate design may be properly addressed at that time.

IT IS THEREFORE ORDERED that East Clark's request for reconsideration be and it hereby is denied.

IT IS FURTHER ORDERED that the Commission's Order of December 21, 1984, be and it hereby is affirmed.

Done at Frankfort, Kentucky, this 30th day of January, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary